

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1869 (PCB SA 03-26) Government Employment/Dept. of Management Services
SPONSOR(S): State Administration and Mack
TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 1528

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>State Administration</u>	<u>4 Y, 1 N</u>	<u>Brazzell</u>	<u>Everhart</u>
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill addresses a number of issues relating to state human resources management. This bill provides for the further implementation of the "Service First" and the Human Resources Outsourcing ("People First") initiatives. Specifically, the bill addresses Service First's "broadbanding" program for position classification and employee compensation. The bill also provides explicit authority for DMS to contract with an outside entity for provision of human resources services. Additionally, the bill revises provisions relating to employees' probationary status, the grievance process, and adoption benefits.

This bill requires annual appropriations of approximately \$60 million to \$70 million; however, according to the Governor's Office of Planning and Budgeting, this represents a savings to the state of \$3.7 million in 2003-04 and \$10.3 million in 2004-05 in comparison to the status quo option. This bill does not appear to have a fiscal impact on local governments.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1869.sa.doc
DATE: April 15, 2003

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

B. EFFECT OF PROPOSED CHANGES:

Service First

Background:

Senate Bill 466 (Chapter 2001-43), passed in 2001, substantially revised the employment, recruitment, training, and discipline standards for career employees of the State of Florida. These changes were known as the “Service First” initiative. One section of this act required the Department of Management Services (DMS), in consultation with the Executive Office of the Governor and the Legislature, to develop a classification and compensation program which involved a maximum of 50 occupational groups and up to a six-class series for each occupation within an occupational group. To fulfill this requirement, the *Broadbanding Report* was submitted to the Governor and Legislature on December 1, 2001.

The next year, Section 42 of the Appropriations Implementing Bill, Chapter 2002-402, Laws of Florida, authorized DMS to establish a classification and compensation program addressing Career Service, Selected Exempt Service, and Senior Management Service positions in accordance with the December 1, 2001, report. However, this authority expires July 1, 2003.

The classification system and pay plan previous to Service First had 3,343 job classifications and 475 pay grades. The *Broadbanding Report* described the following as some problems with the then-current classification system and pay plan:

- The same titles were used in Career Service, Selected Exempt Service, and Senior Management Service
- Some classifications were outdated (such as clerk typists)
- The system had too few paraprofessional classifications
- Some classes were very narrow, hindering agency flexibility to change duties, while others were very broad, resulting in great variance in what individuals with the same title did
- Limitations on increasing employees’ compensation led to unnecessary reclassifications to increase an employee’s pay grade

Under broadbanding, DMS has outlined a classification scheme with successive levels. The broadest is a *job family*; within each job family are up to six *occupational groups*; and within occupational groups are individual *occupation profiles*. This system is based on the federal government’s Standard Occupational Classification system, used to classify jobs with U.S. private and public employers for statistical purposes.

The *Broadband Report* suggests that benefits of a broadband system would include simplified personnel administration and increased agency management flexibility. A broadband system is currently implemented under the authority granted previously to DMS in statute.

Proposed Changes:

This bill makes technical changes to statutes for full implementation of the broadbanding elements of the Service First initiative. The term “pay band” rather than “salary range” is used, and the term “broadband level” is used instead of “classes”. It also amends requirements for the classification and compensation system by limiting the number of occupational groups to 38 and pay bands to 25.

Additionally, DMS and state agencies are granted specific authority and responsibility for administering the classification and compensation system. The bill grants DMS responsibility to

- establish and maintain a classification and compensation system;
- develop new occupation profiles or revise existing occupation profiles;
- conduct the overall review, coordination, and administration of the pay plan;
- conduct periodic studies and surveys to ensure the classification plan is current and pay is equitable, competitive, and market-based ; and
- adopt rules to govern the administration of the classification plan after their approval by the Administration Commission.

Employing agencies are responsible for:

- the day-to-day application of classification rules promulgated by DMS, including classifying and reclassifying positions, and
- maintaining a current, accurate position description for each authorized, established position, which shall serve as the official assignment of duties to the position.

Agencies are prohibited from filling any position until it has been classified. DMS would also have the authority to reclassify positions which an agency improperly classified.

Changes to other provisions of law related to Service First include:

- Updating definitions with new terminology
- Permitting agencies to incur expenditures of no more than \$100 to recognize any employee for satisfactory service, not just for achieving a five-year increment of such.
- Providing that the peer input aspect of bonus distribution be fair, respectful of employees, and affect the outcome of the distribution.
- Limiting the availability of the grievance process to an employee who has satisfactorily completed a one-year probationary period in his or her current position; requiring that supervisors’ responses to employees’ written, signed grievances also be in writing; providing that the receipt of this supervisor’s written response begins the two-business-day timeframe for beginning step two of the process; and providing that the timeframes related to the grievance process may be extended by mutual agreement.
- Replacing the word “permanent” with the language “who has satisfactorily completed at least a 1-year probationary period in his or her current position” in regard to the process of suspension, demotion, or dismissal.

Human Resources Outsourcing

Background:

Section 40 of the Appropriations Implementing Bill, Ch. 2002-402, provided that “For the 2002-2003 fiscal year only, and notwithstanding the requirements of s. 215.94(5) that the department design, implement, and operate the system and of s. 110.201(1)(e) that the individual employing agencies maintain records and reports, the department is authorized to contract with a vendor to provide the personnel information system for state agencies. The vendor may assist the department in compiling

and reporting personnel data and may assist employing agencies in maintaining personnel records. This subsection expires July 1, 2003.”

After engaging in a competitive bid process, the Department of Management Services signed a contract on August 19, 2002, with Convergys for the outsourcing of human resources services. The contractor will begin actual provision of recruitment and selection services on May 1, 2003; general human resource and payroll preparation on June 1, 2003; and insurance and benefits selection services on January 1, 2004. However, due to the expiration of legislative authority for the use of a vendor on July 1, 2003, additional statutory changes are required to allow the outsourcing to continue.

Proposed Changes:

The bill amends numerous provisions of law to authorize the involvement of private sector entities in the design, development, and implementation of the personnel subsystem of the Florida Financial Management Information System. It amends the definition of “functional owner” of a subsystem to be that agency with legal responsibility for a system’s design, implementation, and operation, rather than that agency which actually performs such design, implementation, and operation. Similarly, it requires functional owners to ensure the installation and incorporation of Auditor General recommendations regarding subsystem functionality rather than the functional owners’ installing and incorporating such recommendations themselves.

In regard to the personnel subsystem specifically, it also renames the “Cooperative Personnel Employment Subsystem” (known as “COPES”) the “Personnel Information System” and provides explicit authority to DMS to contract with a vendor for the provision of the system and services required of the Personnel Information System. Finally, it explicitly provides for the Personnel Information System to also include functions for employee selection and reporting of leave. It also allows the Legislature to participate in the system.

Other Changes

Currently, state employees adopting children may be eligible for a monetary benefit up to \$10,000, payable over two years. This bill makes this payable over only one year.

C. SECTION DIRECTORY:

Section 1: Amends s. 110.107, F.S., to transfer and update the definitions section from s. 110.203, F.S..

Section 2: Amends s. 110.116, F.S., to authorize the Department of Management Services (DMS) to contract with a vendor to provide a personnel information system and allows the Legislature to participate in the system.

Section 3: Amends s. 110.1245, F.S., to provide agencies greater ability to recognize employees for satisfactory service.

Section 4: Amends s. 110.152, F.S., to simplify the administration of adoption benefits for state employees.

Section 5: Amends s. 110.2035, F.S., to make substantive and technical changes to implement the broadband classification and compensation system.

Section 6: Amends s. 110.213, F.S., relating to employee qualifications.

Section 7: Amends s. 110.227, F.S., replacing reference to the term “permanent” in regard to employee status with reference to satisfactory completion of a one-year probationary period.

Section 8: Amends s. 215.92, F.S., revising the definition of “functional owner” in relation to the Florida Financial Management Information System Act.

Section 9: Amends 215.94, F.S., renaming the “Cooperative Personnel Employment Subsystem” as the “Personnel Information System” and eliminating the Florida Financial Management Information System’s authority to approve work plans.

Section 10: Amends the duties of functional owners in relation to private entities’ involvement in the Florida Financial Management Information System and specifies additional functions for the personnel subsystem.

Section 11: Repeals s. 110.203, F.S., which provided definitions.

Section 12: Directs the Office of Statutory Revision to revise terms used in other statutory provisions.

Section 13: Provides for an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None.
2. Expenditures: The Governor’s Office of Policy and Budget expects decreased expenditures on human resources services for the state as a result of human resources outsourcing, versus the alternative of replacing the current COPES personnel system and maintaining in-house staffing.

	2003-04	2004-05
Recurring expenses for Human Resources (HR) Outsourcing:		
Provider Contract	\$43.8 million	\$44.2 million
Residual workforce	\$21.2 million	\$21.7 million
One-time expenses for HR Outsourcing:		
Transition workforce	\$3.7 million	\$0.0
Functional and systems expense	\$2.4 million	\$0.0
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Total expenses for HR Outsourcing:	\$ 71.1 million	\$65.9 million
“As-is” expenses (expenses if HR function maintained in-house):	<u>\$ 74.8 million</u>	<u>\$76.2 million</u>
Estimated savings due to HR Outsourcing:	\$ 3.7 million	\$10.3 million

One-time expenses in FY 2003-04 are due to phase-in of provider services that year.

In regard to adoption benefits, currently more employees have applied for this benefit than funds are available. These funds are only payable if the Legislature appropriates them. The Governor recommended appropriating \$1.2 million for this purpose for FY 2003-04.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None.

2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: The selected private provider of human resources services will realize estimated additional income of \$278.6 million over seven years (through the first two months of FY 2009-10).

D. FISCAL COMMENTS: The current total cost of the seven-year contract with the provider, Convergys, is \$278.6 million; the cost of the contract and the residual workforce of state employee personnel staff is estimated to be \$476.4 million. However, this amount could change; for instance, the provider could propose and implement cost-saving measures which would reduce the cost, or change orders could be negotiated that result in additional provider responsibilities and higher costs. The Governor's Office of Policy and Budget estimates that the cost over seven years of replacing the COPES system and staffing the personnel function would have been \$640.6 million.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: None.

2. Other: None.

B. RULE-MAKING AUTHORITY: The bill provides for necessary rulemaking authority.

C. DRAFTING ISSUES OR OTHER COMMENTS: None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

N/A.